



Arizona State Retirement System

3300 North Central Avenue, Phoenix, AZ 85012

WWW.AZASRS.GOV

Special Notice **Permanent Benefit Increase 2006**

Information:

Member Services Advisory Center

Phoenix (602) 240-2000

Tucson (520) 239-3100

Toll-free (800) 621-3778

May 25, 2006

At the start of each fiscal year, July 1, the Arizona State Retirement System applies the Permanent Benefit Increase (PBI) to retirees' pension checks. Funds for a PBI are generated by excess earnings on the actuarial value of assets of the ASRS fund.

Although the PBI helps mitigate inflation, it is not tied to the federal Cost of Living Index and is not structured to be increased every year. However, once granted, a PBI cannot be taken away.

The method of applying gains and losses to the ASRS fund currently includes three recent years when earnings were less than the ASRS assumed earnings rate of 8 percent. As a result, there are no new funds to provide for a new PBI for the 2006-07 fiscal year.

Likewise, there are no new funds to generate an additional Enhanced PBI, which has been granted in the past when earnings accumulated on the monies set aside to pay the PBI.

Retirees of the Defined Benefit Plan who have received PBI and EPBI increases in past years will continue to receive these in their pension check, but there will be no increase this year.

Retirees will not see any decrease in their monthly pension. Permanent Benefit Increases may be granted in future years should sustained annual earnings exceed the plan's assumed earnings rate of 8 percent.

#